

Insights on the U.S. Investor

Investing trends are changing. Is the industry prepared for what's next?





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The last few years have been a wild ride for the markets, capped by COVID-19's arrival in the first half of 2020.

MEET THE MOMENT

This Broadridge study provides unprecedented, evidence-based insight into how U.S. investors purchase equities, mutual funds and ETFs through financial intermediaries. It presents trend data into how investor assets have been allocated across generations, channels and investment products from 2017 through the first six months of 2020.

This study explores:

- The impact of the pandemic
- The rise of lower-cost investment products
- Shifts in channel usage
- The influence of Millennials
- Growth of the Mass Market

ABOUT THE STUDY

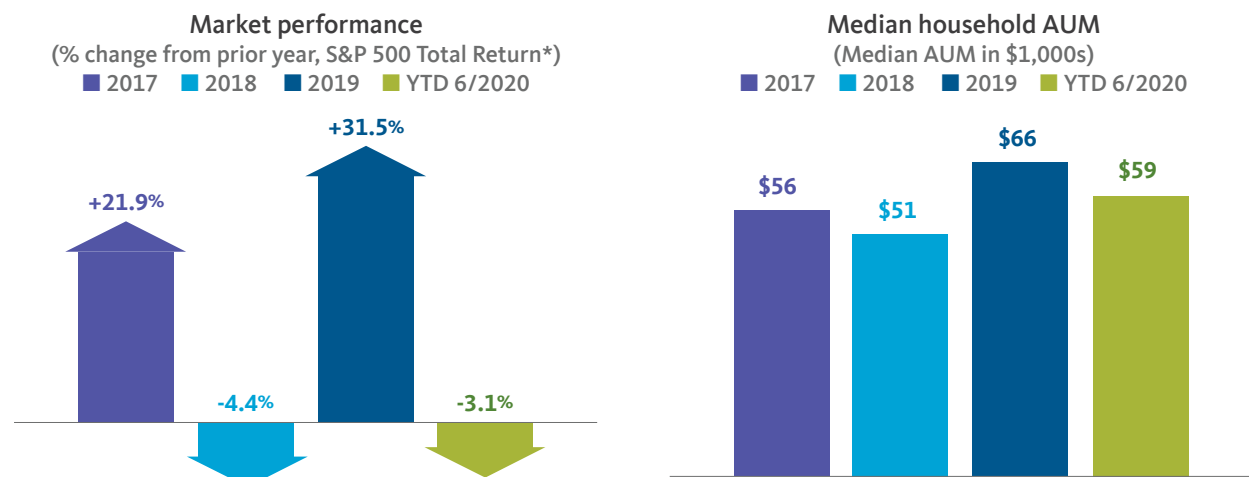
Drawing on de-identified data from the roughly one-third of U.S. households that invest in mutual funds, equities and exchange-traded funds (ETFs) sold through financial intermediaries, this study delivers a unique, evidence-based view of investor holdings. Our data scientists:

- Extracted from a dataset spanning tens of millions of investor households and billions of data points
- Utilized a sample of 20,000 households to explore investor demographics, intermediary channels and investment products
- Included data for 2017, 2018, 2019, and the first half of 2020.

See [Methodology](#) for more detail.

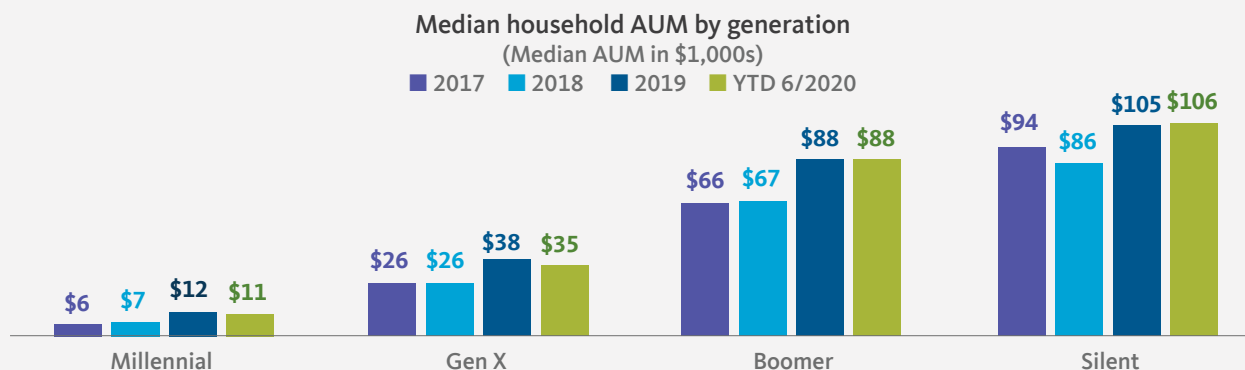
Household investment levels mirror the movement of the markets

As the markets have fluctuated, investor assets under management (AUM), defined for the purposes of this study as invested assets in mutual funds, ETFs and equity securities purchased through financial intermediaries, have moved as well.



*Source: Refinitiv Lipper

Yet, some generational segments have fared better than others. The Boomer and Silent generations were at or above their pre-COVID AUM levels by end of June 2020.



THE GENERATIONS

Millennial

Born 1981-1996

Gen X

Born 1965-1980

Baby Boomer

Born 1946-1964

Silent Generation

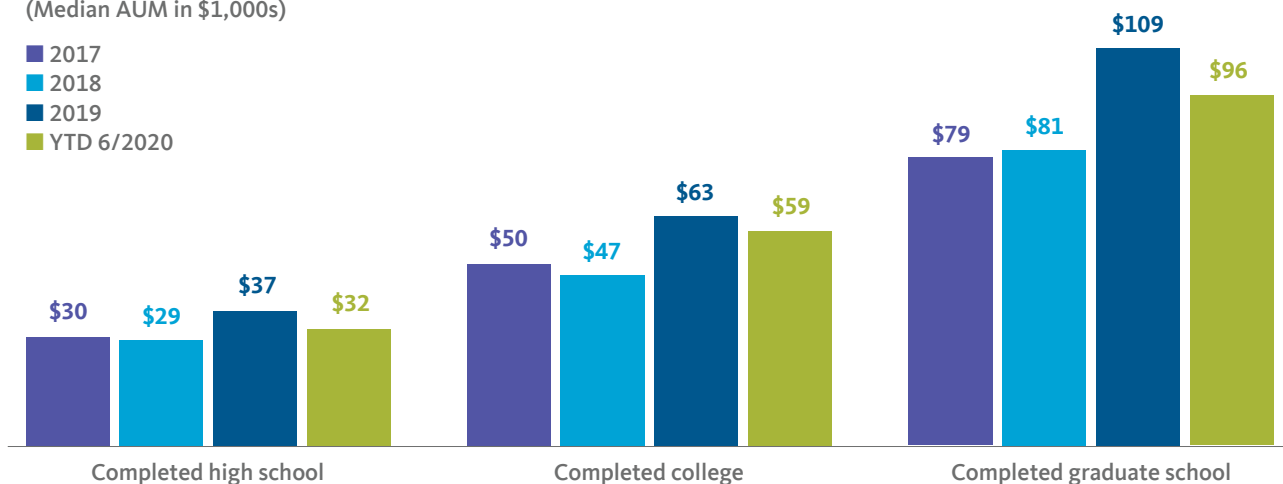
Born 1928-1945

Educational attainment matters

Level of education is consistently a strong indicator of AUM.

AUM by education level
(Median AUM in \$1,000s)

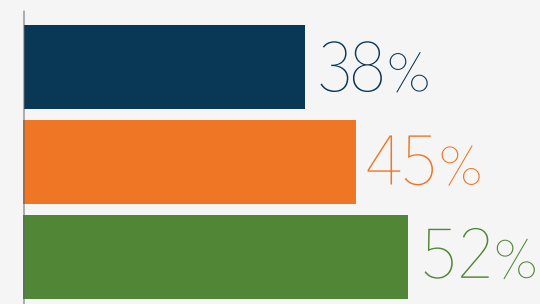
■ 2017
■ 2018
■ 2019
■ YTD 6/2020



In addition, investors with higher levels of education are more likely to own more than one type of investment product.

Investors with multiple types of investment products by level of education
(Mutual Funds, ETFs and/or Equities)

■ High school
■ College
■ Graduate school

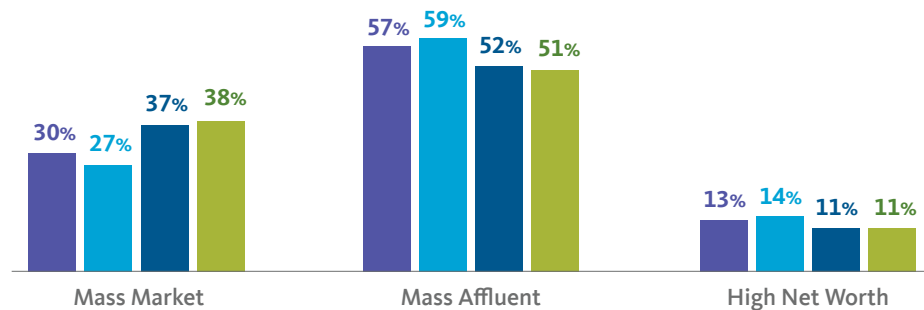


The influence of the Mass Market is on the rise

The Mass Market represents a growing share of investor households.

Share of households
(% in each wealth group)

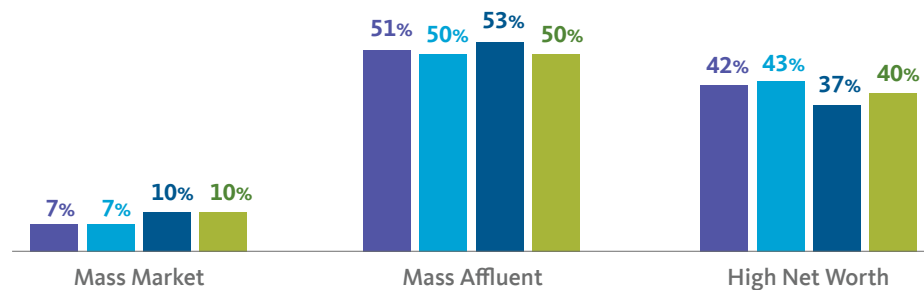
■ 2017
■ 2018
■ 2019
■ YTD 6/2020



It also accounts for a growing share of asset ownership.

Share of asset ownership
(% total owned by
each wealth group)

■ 2017
■ 2018
■ 2019
■ YTD 6/2020



THE WEALTH SEGMENTS

Mass Market
<\$100K
in investible assets

Mass Affluent
\$100K–<\$1MM
in investible assets

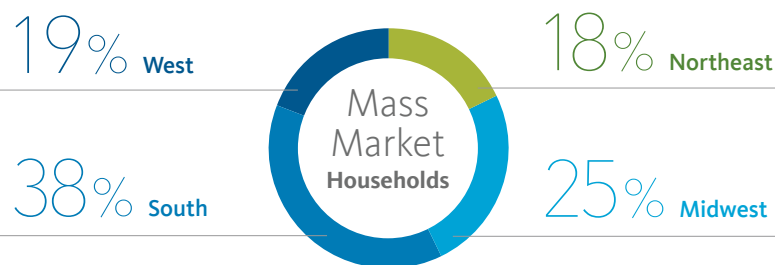
High Net Worth
\$1MM+
in investible assets

The Mass Market: A closer look

Nearly four in ten Mass Market households reside in the South, significantly higher compared to Mass Affluent and High Net Worth (HNW).

Share of Mass Market households by region

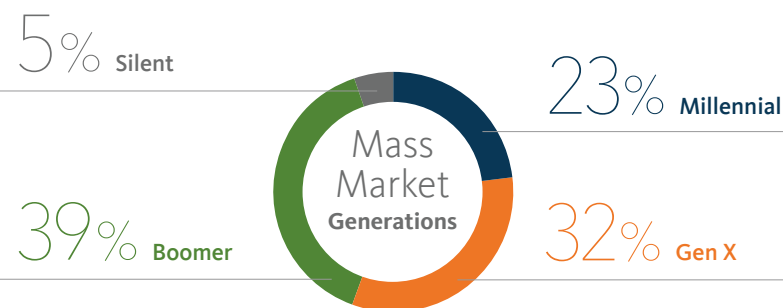
■ Northeast ■ Midwest ■ South ■ West



Millennials and Gen X make up more than half of the Mass Market (while being just 35% of Mass Affluent and 27% of HNW).

Share of Mass Market (<\$100K) by generation*

■ Millennial ■ Gen X ■ Boomer ■ Silent



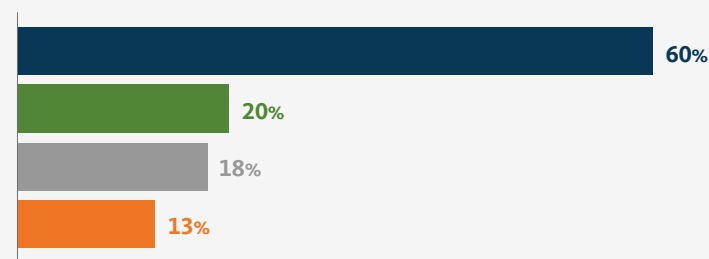
*1% represented by generations not included above



Compared to higher wealth segments, Mass Market households are more likely to be served by the Broker-Dealer channel and less likely to be served by the Online, RIA and Wirehouse channels.

Share of Mass Market households using each channel**

■ Broker-Dealer
■ Online
■ RIA
■ Wirehouse



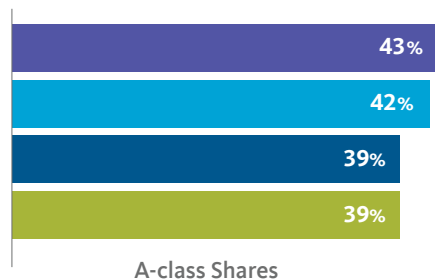
** Totals exceed 100% as some investors use multiple channels

Low-cost institutional shares are more broadly used

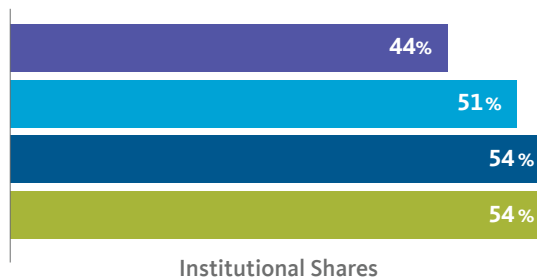
While A-class shares and institutional shares are the most widely held, A-class shares declined as low-cost institutional shares showed positive growth over the three-and-one-half-year period.

Mutual fund share classes
(% of households owning)

■ 2017
■ 2018
■ 2019
■ YTD 6/2020



A-class Shares

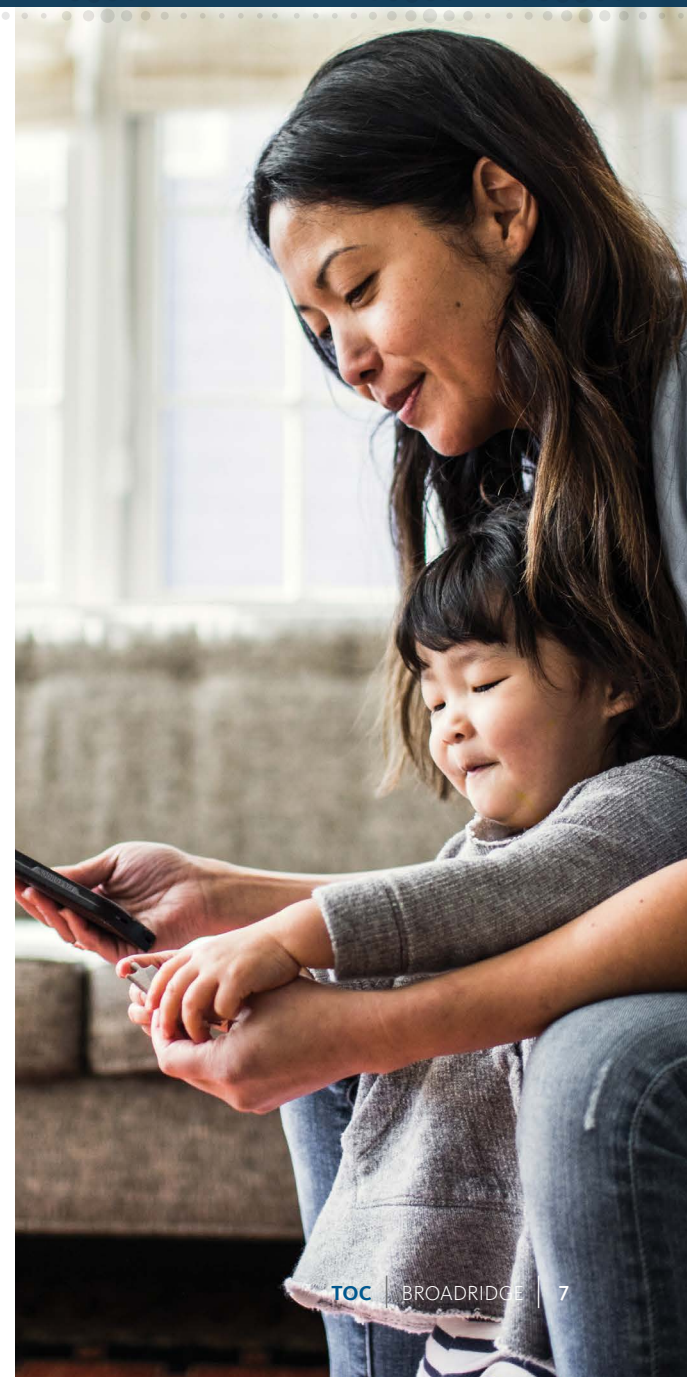
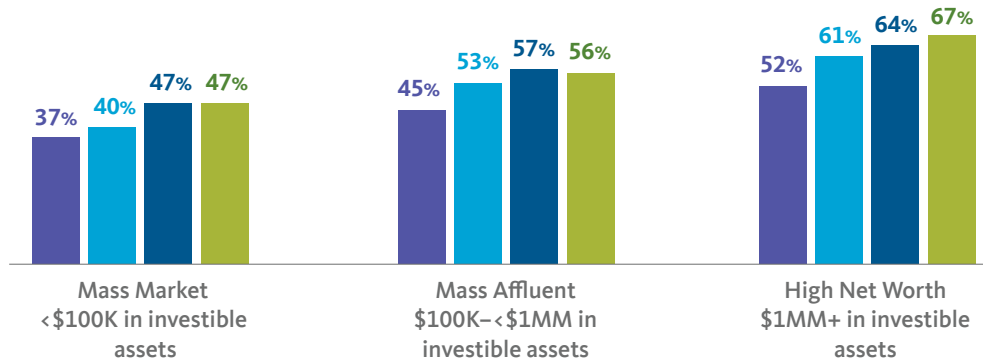


Institutional Shares

Once only available to HNW investors, institutional shares are now gaining prevalence across all wealth segments.

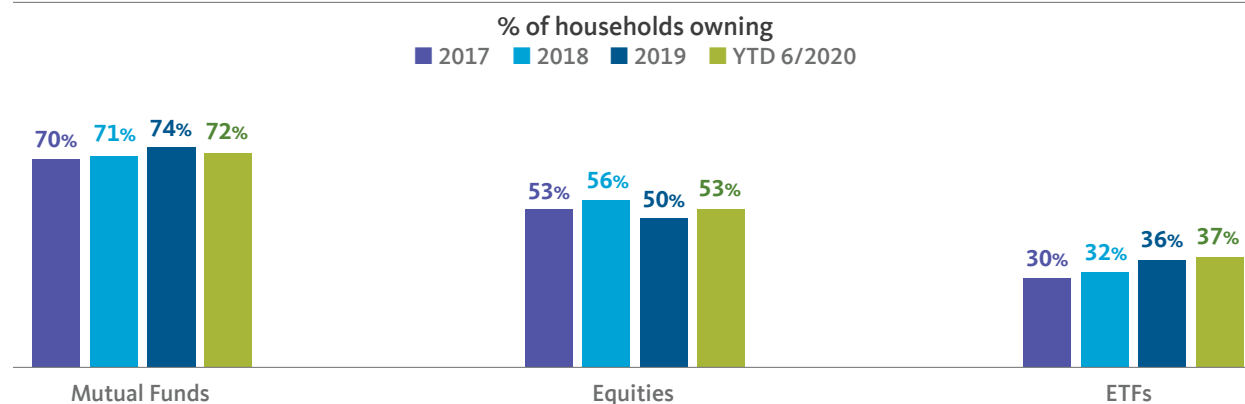
Institutional share classes by wealth
(% of households in each wealth tier that own the institutional share class of funds)

■ 2017
■ 2018
■ 2019
■ YTD 6/2020

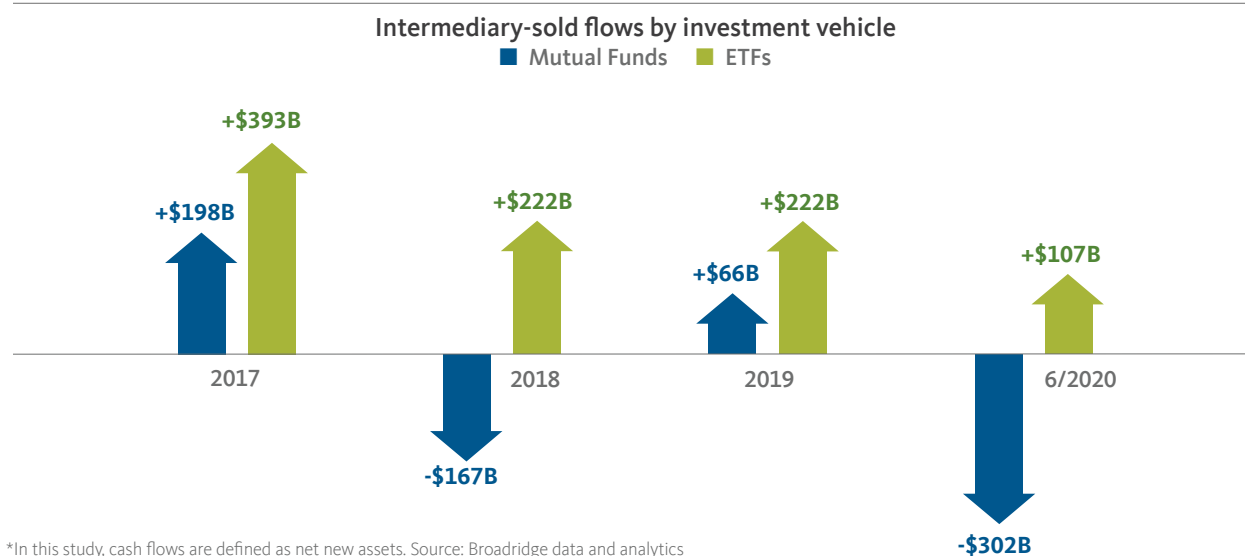


ETFs are gaining ground

Household ownership of ETFs, another low-cost alternative, is also on a steady rise.



Cash flow* data shows the tremendous asset flows into ETFs over the past several years.



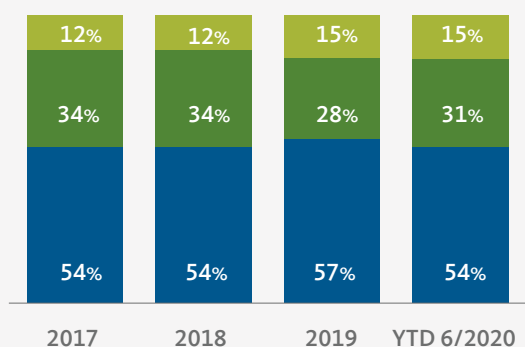
*In this study, cash flows are defined as net new assets. Source: Broadridge data and analytics

2020 has seen an increase in the use of equities

In 2020, equities rose as a percent of AUM as mutual funds declined.

Share of asset ownership by product type

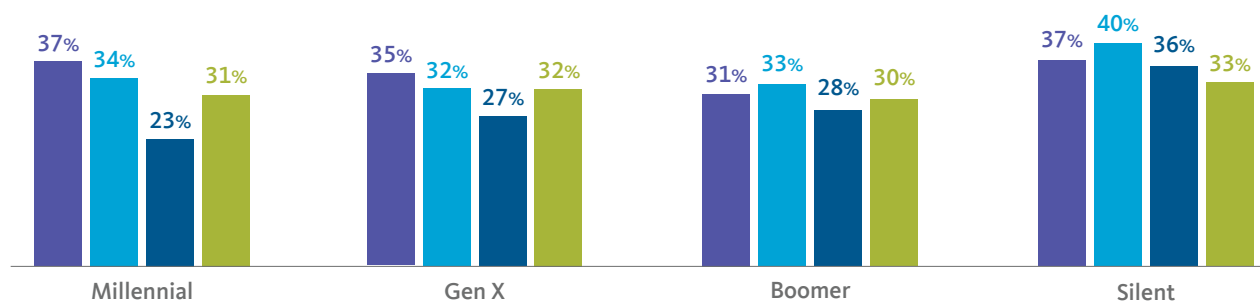
■ Mutual Funds ■ Equities ■ ETFs



The six-month 2020 growth in equity holdings is most evident among Millennials.

Equities as a percentage of total AUM by generation

■ 2017 ■ 2018 ■ 2019 ■ YTD 6/2020



While both Millennial men and women increased equity holdings, men showed a bigger shift.

Equities as a % of total holdings

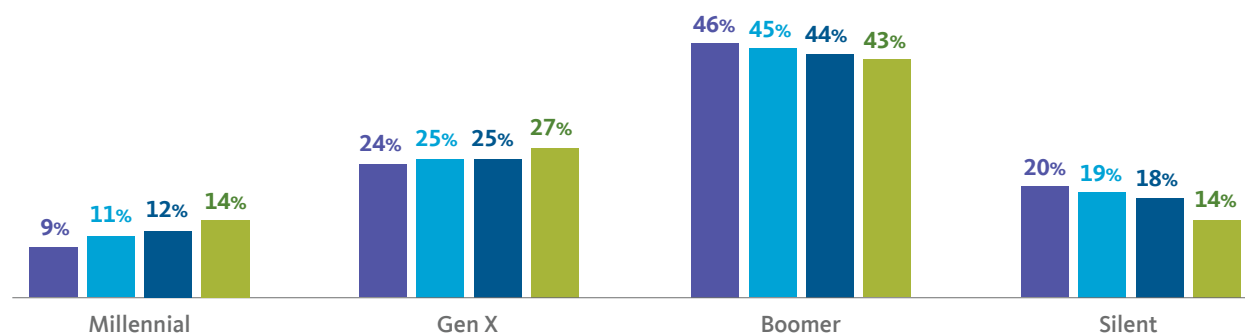
■ 2019 ■ YTD 6/2020



Millennials represent a high-growth segment

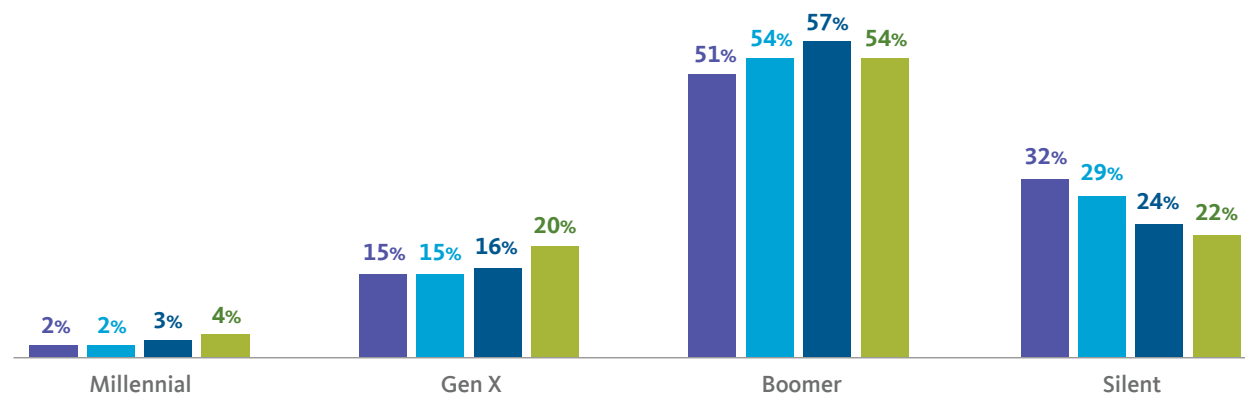
Millennials represent the newest, fastest-growing share of the investor market. They will continue to drive growth in the Mass Market segment—and eventually higher wealth tiers as they increase in both numbers and assets for years to come.

Share of investors* (% in each generation)
 ■ 2017 ■ 2018 ■ 2019 ■ YTD 6/2020



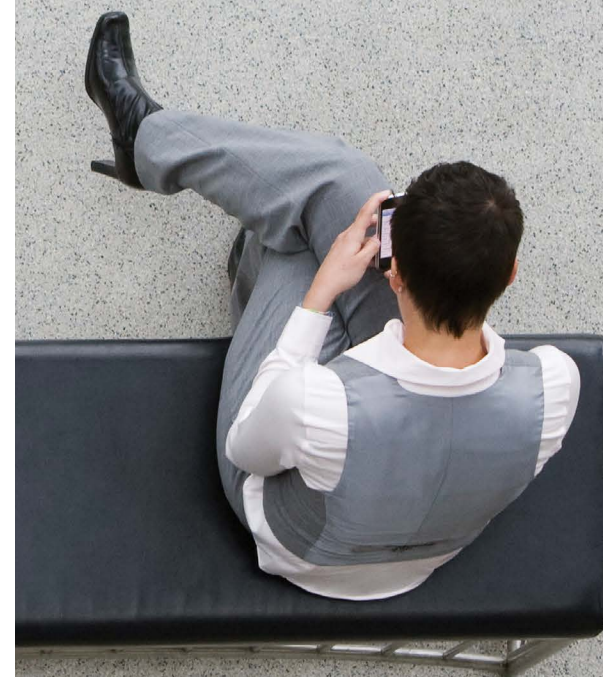
*Generations not included above account for 1% of 2017 and 2019 and 2% of YTD 6/2020

Share of asset ownership (% total owned in each generation)
 ■ 2017 ■ 2018 ■ 2019 ■ YTD 6/2020



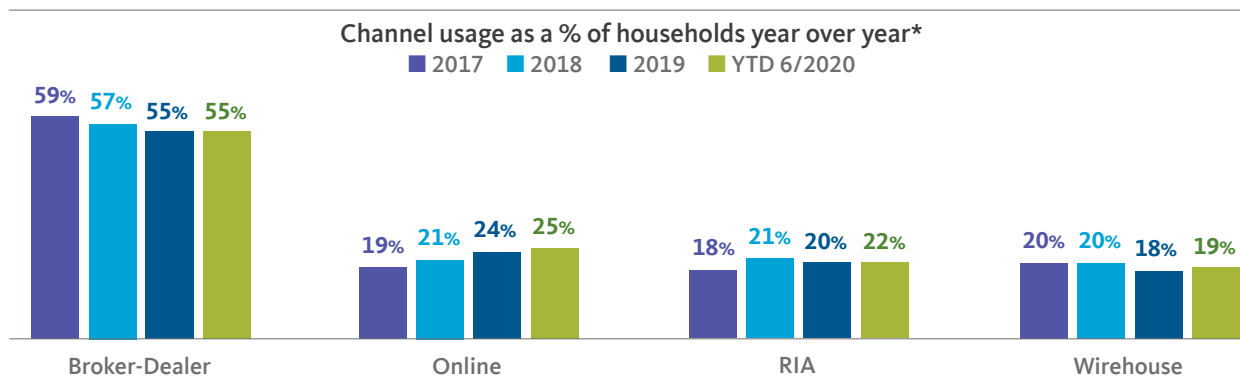
IT'S BECOMING EASIER TO INVEST

Zero commission trades, mobile trading applications and the ability to acquire fractional shares are making it more attractive and easier for younger, lower asset investors to trade securities. This is bolstering Millennials' ability to participate more actively in equity investing.

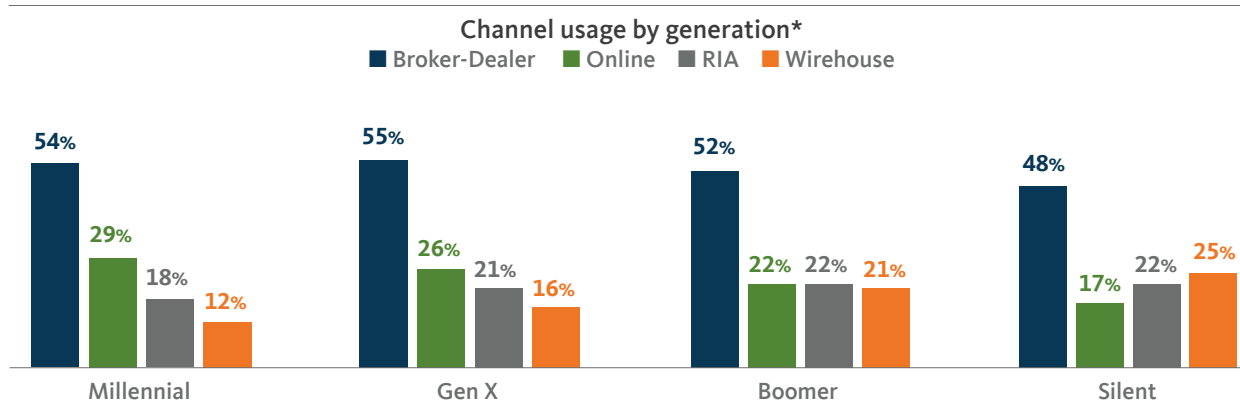


The online channel is gaining ground

There's been a gradual increase in usage of the online channel.



Channel usage in 2020 varied across each generation. Millennials primarily used the broker-dealer and online channels.



* Totals exceed 100% as some investors use multiple channels

MEDIAN AGE OF INVESTOR

Broker-Dealer

58

Online

56

RIA

59

Wirehouse

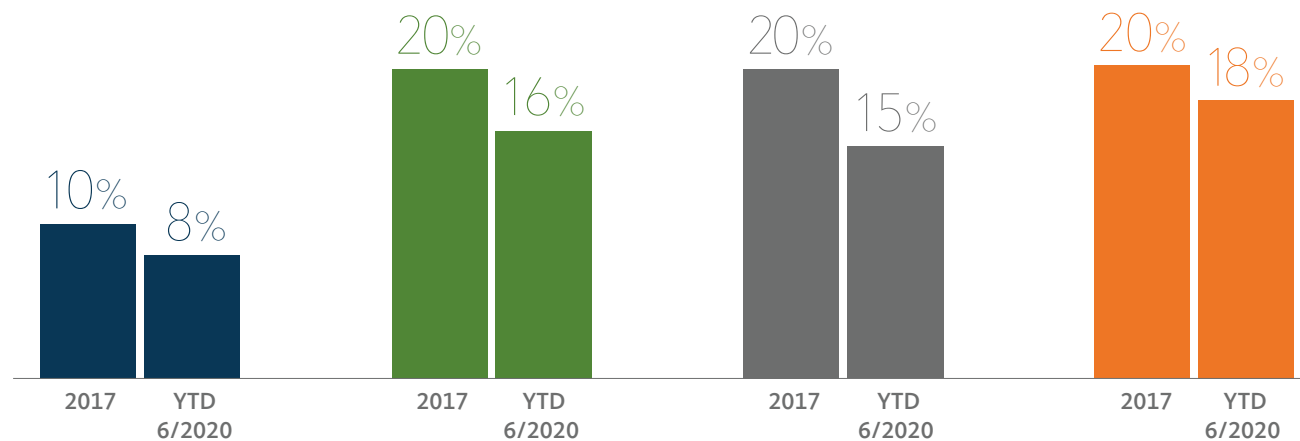
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Generational wealth transfer offers an opportunity

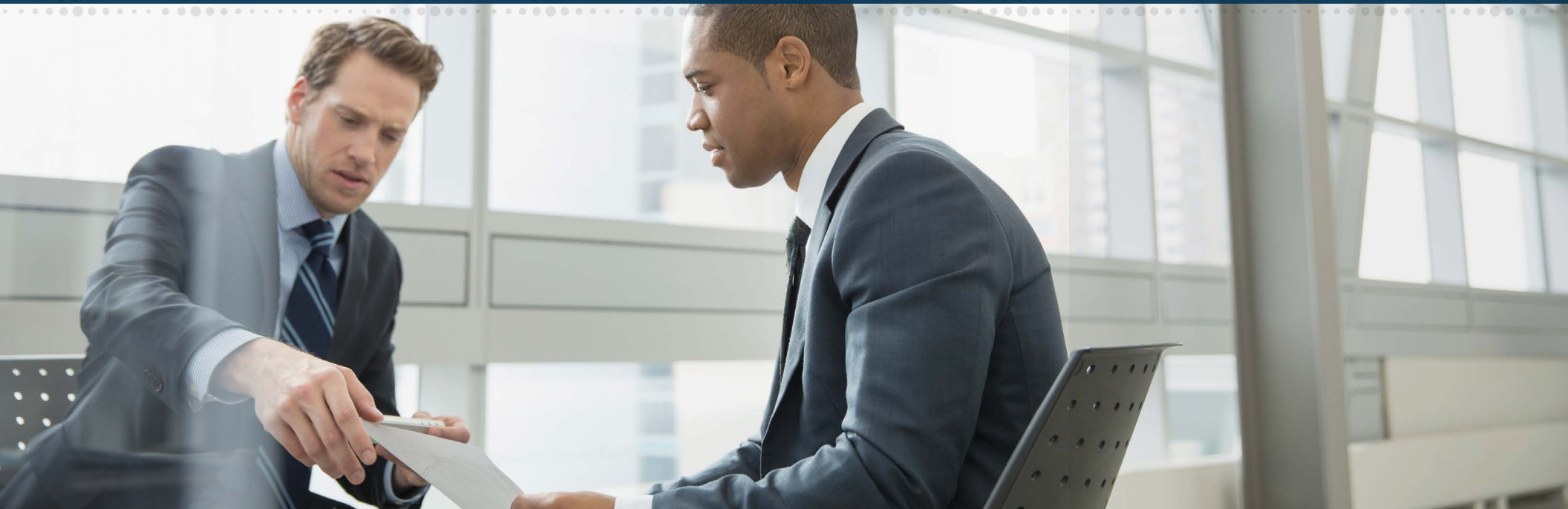
Wirehouses are investing in ways to reach Millennials and the burgeoning Mass Market—actively making acquisitions and changes to their business models and branding. Wirehouses hold the highest share of HNW investors, a possible edge in the generational wealth transfer—if they connect effectively with heirs.

HNW households
(% of total households
by channel)

■ Broker-Dealer
■ Online
■ RIA
■ Wirehouse



An indication of what's to come



These unprecedented times hold opportunity for firms and advisors who seize upon them—and trend data offers an indication of things to come. We anticipate:

- Money will likely continue to flow into to ETFs
- Lower-cost institutional shares will continue to gain in popularity
- Millennial and the Mass Market investors will continue to increase their overall share of AUM
- Online self-directed platforms will continue to reduce distribution costs and attract investors by offering convenient, lower-cost, 365/24/7 accessibility

Broadridge is here to help.

For more information, contact your Broadridge Account Representative.

This study represents a baseline, derived from a rich dataset we continue to explore. Watch for deeper analyses into key topics and periodic refreshes highlighting the latest trends.

METHODOLOGY

This study is based on an analysis of a 20,000-record random sample of share ownership of U.S. retail investors and households. Information is derived from Broadridge's proprietary business processes, and has been de-identified for this study's findings.

Broadridge pulled the sample from its database consisting of tens of millions of retail investor households and billions of data points to achieve a unique level of insight into holdings invested through financial intermediaries (broker-dealers, online, RIAs, wirehouses). Broadridge analyzed exchange-traded funds (ETFs), closed-end funds, open-end mutual funds and U.S. equities held in taxable accounts and IRAs for the years ending 2017, 2018, 2019 and the first six months of 2020.



Asset Share Ownership

Used to denote dollar amount of assets or investments owned by shareholders in U.S. equities, open-end mutual funds (excluding money markets), closed-end funds or exchange-traded funds (ETFs). All figures are in USD.

Distribution Channels

- Broker-dealer is comprised primarily of Independent (IBD), Regional and Bank broker-dealers. IBD advisors typically operate as independent contractors, while advisors at Banks and Regionals primarily operate as employees.
- Online includes mutual fund and ETF assets purchased by individual investors through a self-service trading platform.
- RIA (Registered Investment Advisor) is largely comprised of fee-only advisors who advise clients on their investments and manage their portfolios, typically for a percentage based on AUM. There are SEC-registered RIAs (over \$100M AUM) and state-registered RIAs (under \$100M AUM).
- Wirehouse encompasses four of the largest wealth management firms in the U.S. These firms have their own fund families, focus on fee-based business and provide highly structured environments for their advisors.

Generational Segments

Commonly accepted cohorts segmenting investors by age:

- Millennial: Born 1981-1996
- Baby Boomer (“Boomers”): Born 1946-1964
- Gen X: Born 1965-1980
- Silent Generation: Born 1928-1945

Household

A home with one or more investors.

Investments

ETFs, open-end mutual funds (excluding money markets), closed-end mutual funds, and U.S. equities in taxable accounts and IRAs purchased through intermediaries, including broker-dealers, online, RIAs and wirehouse channels. Directly held shares with fund and ETF issuers are not included in the study, nor are shares purchased through workplace investing plans, such as defined contribution plans.

Investor

An individual with a share ownership position in open-end/closed-end mutual funds, ETFs or U.S. equities traded on U.S. stock exchanges. Broadridge’s references to investors pertain only to comparisons in this study among investors on third-party platforms, not against the U.S. general population.

Share Class

A-Shares (i.e., front-end loads): A share class that assesses a front-end sales charge of greater than 2% regardless of the total 12b-1/non-12b-1 service fee combination.

Institutional Shares (i.e., institutional load): A share class primarily or exclusively offered to institutions, corporations, pension plans, banks and organizations. Institutional funds typically do not have a sales load, but may carry a 12b-1/non-12b-1 service fee.

Wealth

Wealth estimates are provided by a third-party and include investable liquid assets typically held by shareholders at financial institutions, such as cash, certificates of deposit, money markets, mutual funds, ETFs, stocks and bonds. Because this study is focused on individual investor holdings through intermediaries, this sample does not include:

- Institutional investors, such as pension funds, hedge funds or endowments and foundations
- Retirement plans, such as 401(k) and defined benefit plans
- 529 college savings plans
- Bank deposits (checking, savings, CDs, money markets)
- Directly held mutual fund shares, fixed income, money market funds
- Real assets, such as real estate, art, automobiles, jewelry and privately held businesses

Wealth Segments

Commonly accepted cohorts segmenting investors by wealth (as defined above) per household.

- Mass Market: Under \$100,000 in investable assets
- Mass Affluent: \$100,000 to less than \$1,000,000 in investable assets
- High Net Worth (HNW): \$1,000,000 or more in investable assets

Broadridge, a global Fintech leader with over \$4.5 billion in revenues and part of the S&P 500® Index, provides communications, technology, data and analytics. We help drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth.

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Technology
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